

The North Dakota State Investment Board (SIB) has effectively terminated its investment management relationship with Westridge Capital Management and its affiliated broker/dealer, WG Trading, as the result of a recently announced investigation into alleged fraudulent activities. SIB entered into an investment agreement with this firm in 2000, following a comprehensive due diligence process managed by consultant Callan Associates. Westridge has been in business since 1983, and has met performance expectations over a nine year relationship period. Our due diligence process revealed that Westridge serves many large and well-known institutional funds including the Iowa Public Employees Retirement System (IPERS), Carnegie Mellon University, University of Pittsburgh, San Diego County Employee Retirement Association and Sacramento County Employees' Retirement System, as well as many high profile corporations and foundations. Westridge had also successfully passed further consultant-managed due diligence during this investment period. Unfortunately, fraud is often difficult, if not impossible, to detect.

Westridge Capital Management, a registered investment adviser, completes transactions through WG Trading, a registered investment broker-dealer. The National Futures Association (NFA), an organization that regulates its own members, recently suspended the trading capabilities of two individuals who are principals in both WG Trading and Westridge Capital Management.

According to the NFA action, the principals have not provided documents requested by the NFA. The U.S. Commodity Futures Trading Commission and the U.S. Securities and Exchange Commission, regulatory agencies of the federal government, are now investigating WG Trading. These agencies cannot release information during an active investigation. Their involvement provides SIB added protection as the commissions have the authority to act in ways that will protect investors.

SIB quickly took the following actions to protect its assets:

- Effectively terminated Westridge Capital Management's contract.
- Demanded the return of all SIB assets, which had an estimated market value of \$161.3 million on January 31, 2009.
- Began aiding the Commodity Futures Trading Commission in their investigations.
- Quickly notified the Office of North Dakota Attorney General of situation.

Thus far, since initiating action, approximately \$23.3 million has been recovered by the SIB.

These developments do not affect the invested pension plans' ability to pay benefits, nor do they affect SIB's other investments. The SIB and staff continue to follow developments and will take further action, including legal action, if necessary to protect assets. Please be aware that investigations are still underway, and there have been no findings against the company or its affiliates. In any case, we intend to work vigorously to recover any potential losses.

Informational Update (3/03/2009)

The identities of more victims of the alleged Westridge / WG Trading fraud are emerging, notably, as reported by Bloomberg news service, Viacom / CBS and Wells Fargo. They join the list of several public funds and universities already in news sources. For those interested in the plethora of information available in national news stories, search engine access using Westridge Capital or WG Trading as keywords will reveal many links. At this time, given the regulatory freeze on assets, very little information relating to the ultimate valuation and disposition of assets is available. We will continue to update our web posting as appropriate.